

Introduced by Senator Speier

February 20, 2003

An act to add Section 23820 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 516, as introduced, Speier. Subchapter "S corporations."

The Corporation Tax Law allows certain small corporations to elect to be treated as "S corporations" whereby those corporations obtain the tax advantages of partnerships, including reduced taxation at the entity level, while retaining the corporate characteristic of limited liability.

This bill would limit the use of "S corporation" status to only those corporations with less than \$20,000,000 in total gross receipts for the taxable year.

This bill would result in a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage of the approval of $\frac{2}{3}$ of the membership of each house of the Legislature.

This bill would take effect immediately as a tax levy.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 23820 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 23820. A corporation may be allowed to elect to be treated as
- 4 an "S corporation" under this part only if the corporation has less



- 1 than twenty million dollars (\$20,000,000) in total gross receipts
- 2 for the taxable year.
- 3 SEC. 2. This act provides for a tax levy within the meaning of
- 4 Article IV of the Constitution and shall go into immediate effect.

